

TOWN OF HERNDON, VIRGINIA

RESOLUTION

FEBRUARY 14, 2012

Resolution- Establishing a Revenue Stabilization Fund Financial Policy for the Town of Herndon.

WHEREAS, the Herndon Town Council, after careful and thorough study of the matter and in keeping with its mission to protect and manage the Town's financial assets in a sound and prudent manner, establishes a Revenue Stabilization Fund (also known as a "Rainy Day" Fund) as part of the Town's financial policies; and

WHEREAS, the purpose of the Revenue Stabilization Fund (the "Fund") is to soften or minimize serious negative repercussions due to sudden, unanticipated reductions in major Town revenue sources; and

WHEREAS, the Fund operates by sequestering a certain amount of available resources which, in the event of an economic downturn, can be used to provide a certain level of general operating support; and

WHEREAS, the following seven principals will guide the initial funding, subsequent funding, withdrawing and replenishing of the Town's Revenue Stabilization Fund:

- 1) The maximum balance of the Fund will be equal to five percent of budgeted General Fund recurring revenues for the then current fiscal year. For FY 2012, this target amount is \$1,517,000.
- 2) The Fund will be financed initially through a transfer of \$200,000 of available resources from the General Fund Unassigned Fund Balance.
- 3) Subsequent transfers to the Fund will be recommended by the Town Manager and be based on the General Fund financial results of the most recently ended fiscal year or included as part of the Town Manager's budget recommendations for the upcoming fiscal year.
- 4) Withdrawals from the Fund can only be consider if there is an unexpected General Fund recurring revenue decline of at least three percent below the original budget projections for the then current fiscal year.
- 5) Only one-third of the anticipated General Fund recurring revenue decline can be recovered through transfer from the Fund in any one fiscal year.
- 6) No more than twenty-five percent of the balance in the Fund can be withdrawn in any one fiscal year.

- 7) Withdrawals from the Fund must be recommended by the Town Manager and approved by the Town Council as a formal budget action. In addition, the Town Manager must also propose other cost-saving measures or revenue enhancements for Council consideration and possible action.

NOW, THEREFORE, BE IT RESOLVED that the Town Council of the Town of Herndon, Virginia, hereby establishes a Revenue Stabilization Fund as part of its financial policies and adopts the seven guiding principles described above for the initial funding, subsequent funding, withdrawing and replenishing of this Fund.

This is certified to be a true and accurate copy of Resolution 12-G-14 adopted at a legally convened meeting of the Town Council of the Town of Herndon on February 14, 2012.

Margie C. Tacci
Margie C. Tacci, Deputy Town Clerk II